

**REPORT OF THE AUDIT OF THE
PIKE COUNTY
CLERK**

**For The Year Ended
December 31, 2002**



**CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS
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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE PIKE COUNTY CLERK

**For The Year Ended
December 31, 2002**

The Auditor of Public Accounts has completed the Pike County Clerk's audit for the year ended December 31, 2002. We have issued an unqualified opinion on the financial statements taken as a whole. Based upon the audit work performed, the financial statements are presented fairly in all material respects.

Financial Condition:

The Pike County Clerk had total receipts of \$15,678,504, which was a \$414,346 increase from the prior year. Except for reimbursed expenses in the amount of \$100,136 and fiscal court contributions of \$233,056, the clerk paid 25% of receipts to the Pike County Fiscal Court in the amount of \$326,272. This was an increase of \$3,305 from the prior year. In addition, disbursements increased by \$260,175.

Deposits:

The Clerk's deposits were insured and collateralized by bank securities or bonds.

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CRIT LUALLEN
Auditor of Public Accounts

To the People of Kentucky
Honorable Ernie Fletcher, Governor
Robbie Rudolph, Secretary
Finance and Administration Cabinet
Honorable William M. Deskins, Pike County Judge/Executive
Honorable Lillian P. Elliott, Pike County Clerk
Members of the Pike County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of receipts and disbursements of the County Clerk of Pike County Kentucky, and the statement of receipts, disbursements, and fund balances of the County Clerk's operating fund and county fund with the State Treasurer for the year ended December 31, 2002. These financial statements are the responsibility of the County Clerk. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Clerk prepares the financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the receipts and disbursements of the County Clerk and the receipts, disbursements, and fund balances of the County Clerk's operating fund and county fund with the State Treasurer for the year ended December 31, 2002, in conformity with the modified cash basis of accounting.

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AN EQUAL OPPORTUNITY EMPLOYER M/F/D



To the People of Kentucky

Honorable Ernie Fletcher, Governor

Robbie Rudolph, Secretary

Finance and Administration Cabinet

Honorable William M. Deskins, Pike County Judge/Executive

Honorable Lillian P. Elliott, Pike County Clerk

Members of the Pike County Fiscal Court

In accordance with Government Auditing Standards, we have also issued our report dated September 29, 2003, on our consideration of the County Clerk's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a stylized, flowing script.

Crit Luallen

Auditor of Public Accounts

Audit fieldwork completed -
September 29, 2003

PIKE COUNTY
LILLIAN P. ELLIOTT, COUNTY CLERK
STATEMENT OF RECEIPTS AND DISBURSEMENTS

For The Year Ended December 31, 2002

Receipts

State Fees For Services		\$	34,061
Fiscal Court			
Supplement	\$	233,056	
Preparing Tax Bills		<u>32,649</u>	265,705
Licenses and Taxes:			
Motor Vehicle-			
Licenses and Transfers	\$	1,821,006	
Usage Tax		7,039,941	
Tangible Personal Property Tax		4,173,582	
Licenses-			
Fish and Game		21,562	
Marriage		22,248	
Occupational		4,909	
Deed Transfer Tax		67,070	
Delinquent Taxes		<u>1,741,524</u>	14,891,842
Fees Collected for Services:			
Recordings-			
Deeds, Easements, and Contracts	\$	36,142	
Real Estate Mortgages		84,999	
Chattel Mortgages and Financing Statements		199,374	
Powers of Attorney		1,980	
Bail Bond		7,474	
Articles of Incorporation		1,260	
Deeds of Release		23,818	
Leases		6,557	
Wills		4,049	
Material Liens		7,425	
All Other Recordings		41,879	
Charges for Other Services-			
Postage		22,906	
Copywork		<u>25,234</u>	463,097

The accompanying notes are an integral part of the financial statements.

PIKE COUNTY
 LILLIAN P. ELLIOTT, COUNTY CLERK
 STATEMENT OF RECEIPTS AND DISBURSEMENTS
 For The Year Ended December 31, 2002
 (Continued)

Receipts (Continued)

Other:

Election Filing Fees	\$	4,320	
Miscellaneous		<u>17,119</u>	\$ 21,439
Interest Earned			<u>2,360</u>
Total Receipts			\$ 15,678,504

Disbursements

Payments to State:

Motor Vehicle-

Licenses and Transfers	\$	1,438,156
Usage Tax		6,813,882
Tangible Personal Property Tax		1,501,792

Licenses, Taxes, and Fees-

Fish and Game		21,288
Marriage		2,690
Delinquent Tax		249,420
Legal Process Tax		52,935
Candidate Filing Fees		<u>2,460</u>
	\$	10,082,623

Payments to Fiscal Court:

Tangible Personal Property Tax	\$	436,365
Delinquent Tax		217,887
Deed Transfer Tax		63,721
Occupational Licenses		4,043
Delinquent Tax-Solid Waste		<u>67,703</u>
		789,719

Payments to Other Districts:

Tangible Personal Property Tax	\$	2,054,575
Delinquent Tax		<u>803,913</u>
		2,858,488

Payments to Sheriff 25,189

Payments to County Attorney 237,860

PIKE COUNTY
 LILLIAN P. ELLIOTT, COUNTY CLERK
 STATEMENT OF RECEIPTS AND DISBURSEMENTS
 For The Year Ended December 31, 2002
 (Continued)

Disbursements (Continued)

Other-

Usage Tax Refunds	\$	14,950	
Advalorem Tax Refunds		15,353	
Training		1,397	
Miscellaneous		<u>2,455</u>	\$ <u>34,155</u>

Total Disbursements			\$	<u>14,028,034</u>
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Net Receipts			\$	1,650,470
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Payments to State Treasurer:

75% Operating Fund	\$	1,312,010	*	
25% County Fund		<u>326,272</u>		<u>1,638,282</u>

Balance Due at December 31, 2002			\$	12,188
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Payment to County Treasurer August 29, 2003				<u>12,188</u>
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Balance Due at Completion of Audit			\$	<u><u>0</u></u>
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* Includes reimbursed expenses of \$100,136 and fiscal court contributions in the amount of \$233,056.

PIKE COUNTY
 LILLIAN P. ELLIOTT, COUNTY CLERK
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
 FUND BALANCES OF THE COUNTY CLERK'S OPERATING
FUND AND COUNTY FUND WITH THE STATE TREASURER

For The Year Ended December 31, 2002

	75% Operating Fund	25% County Fund	Totals
Fund Balance - January 1, 2002	\$ 143,013	\$ 0	\$ 143,013
<u>Receipts</u>			
Fees Paid to State - Operating Funds (75%)	1,312,010		1,312,010
Fees Paid to State - County Funds (25%)		326,272	326,272
Total Funds Available	\$ 1,455,023	\$ 326,272	\$ 1,781,295
<u>Disbursements</u>			
Payments to Pike County Fiscal Court	\$ 190,515	\$ 326,272	\$ 516,787
Personnel Services-			
Clerk's Statutory Maximum	80,047		80,047
Clerk's Expense Allowance	3,600		3,600
House Bill 810 Training	2,914		2,914
Deputies' Salaries	595,216		595,216
Employee Benefits-			
Employer's Share Social Security	49,173		49,173
Employer's Share Retirement	38,076		38,076
Employer's Paid Health Insurance	272,364		272,364
Employer's Paid Life Insurance	2,304		2,304
Contracted Services-			
Printing and Binding	15,606		15,606
Materials and Supplies-			
Office Supplies	82,631		82,631
Other Charges-			
Books and Journals	872		872
Dues	3,250		3,250
Postage	23,467		23,467
Computer Maintenance	33,957		33,957
Tax Bill Preparation	9,747		9,747
Telephone	1,582		1,582
Miscellaneous	3,034		3,034

The accompanying notes are an integral part of the financial statements.

PIKE COUNTY
 LILLIAN P. ELLIOTT, COUNTY CLERK
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND FUND
 BALANCES OF THE COUNTY CLERK'S OPERATING FUND
 AND COUNTY FUND WITH THE STATE TREASURER
 For The Year Ended December 31, 2002
 (Continued)

	75% Operating Fund	25% County Fund	Totals
<u>Disbursements</u> (Continued)			
Auto Expenses-			
Gasoline and Maintenance	\$ 431	\$	\$ 431
Capital Outlay-			
Office Equipment	24,332		24,332
Shelves	21,905		21,905
Total Disbursements	<u>\$ 1,455,023</u>	<u>\$ 326,272</u>	<u>\$ 1,781,295</u>
Fund Balance - December 31, 2002	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

The accompanying notes are an integral part of the financial statements.

PIKE COUNTY
LILLIAN P. ELLIOTT, COUNTY CLERK
NOTES TO THE FINANCIAL STATEMENTS

December 31, 2002

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of receipts over disbursements to facilitate management control, accountability, and compliance with laws.

A fee official in counties with a population over 70,000 has two funds established with the state for the deposit of fees collected. Seventy-five percent (75%) of the fees collected is deposited in a County Clerk's operating fund and used for office expenses of the fee official. The remaining twenty-five percent (25%) of fees collected is deposited to the county fiscal court fund and periodically paid to the county government. These funds are closed at the end of each four-year term by paying the balances to the respective county government.

B. Basis of Accounting

The financial statements have been prepared on a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, certain receipts and certain expenditures are recognized as a result of accrual at December 31, 2002.

The Attorney General issued a letter which stated that some receipts of the fee official offices could be considered reimbursed expenses. All reimbursed expenses are receipted in the 75 percent fund.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Clerk's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

PIKE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2002
(Continued)

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system that covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 6.41 percent for the first six months and 6.34 percent for the last six months of the calendar year.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement System's annual financial report which is a matter of public record.

Note 3. Deposits

The County Clerk maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 64.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the County Clerk and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of December 31, 2002, the County Clerk's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the County Clerk's agent in the County Clerk's name, or provided surety bonds which named the County Clerk as beneficiary/obligee on the bonds.

Note 4. Grants

- A. The County Clerk received a local records microfilming grant from the Kentucky Department for Libraries and Archives in the amount of \$43,202 during the 1996 calendar year. The Clerk had a balance of \$1,758 on January 1, 2002 and the account earned \$7 of interest during the year. No funds were expended during 2002. The unexpended grant balance was \$1,765 as of December 31, 2002.
- B. The County Clerk received a local records microfilming grant from the Kentucky Department for Libraries and Archives in the amount of \$22,570 during the 1999 calendar year. The Clerk had a balance of \$463 on January 1, 2002 and the account earned no interest during the year. No funds were expended during 2002. The unexpended grant balance was \$463 as of December 31, 2002.

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REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



CRIT LUALLEN
Auditor of Public Accounts

The Honorable William M. Deskins, Pike County Judge/Executive
The Honorable Lillian P. Elliott, Pike County Clerk
Members of the Pike County Fiscal Court

**Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statements Performed In Accordance With Government Auditing Standards**

We have audited the financial statements of the Pike County Clerk for the year ended December 31, 2002, and have issued our report thereon dated September 29, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Pike County Clerk's financial statements as of December 31, 2002, are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Pike County Clerk's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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AN EQUAL OPPORTUNITY EMPLOYER M/F/D



Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen
Auditor of Public Accounts

Audit fieldwork completed -
September 29, 2003

